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SUBJECT: DIRECTOR'S MEETING WITH DEFENSE MINISTER LEE
TIEN-YU DISCUSSES NEW PRC CIVILIAN AIR ROUTE AND 2008 BUDGET

Classified By: AIT Director Stephen M. Young,
Reason: Sec 1.4 (a/b/d)

Summary

1. (S/NF) American Institute in Taiwan (AIT) Director Stephen Young met with Minister of Defense Lee Tien-yu December 19th to discuss PRC's proposed air route in the Taiwan Strait and Taiwan's defense budget. Also present at the meeting were Col Tony Chow (LAS), and Tony Hu (TECH). Taiwan attendees included Chief of the General Staff Gen Huoh, Vice Minister Lt Gen Lin, Vice Adm Tung (SPD), LTG Chiu (J3), Lt Gen Wang (J2), and Minister's Chief of Staff Maj Gen Hsiong. Minister Lee was cautiously optimistic about passage of the defense budget by 21 Dec. Minister Lee was very concerned over the PRC proposed air route, but from a military point of view sees the initiative affecting both the PRC and Taiwan. Director Young, warning that this issue can be best resolved quietly, urged greater caution in Taiwan's public commentary, a theme he later repeated with Vice-Premier Chiou I-ren. End Summary.

The Budget

2. (C) Minister Lee opened the meeting by thanking the U.S. for helping MND with its efforts to gain passage of the defense budget through the LY Defense Committee. He said he is glad to see, even with cuts, that the defense budget should reach approximately 2.99 percent of GDP (including the budgets that were frozen). He said this budget not only will support the procurement of new systems but also MND's sustainment and manpower requirements. He said MND's strategy to address LY's concerns and objections over certain portions of the defense budget has been to convince them to freeze rather than cut those portions of the budget.

3. (C) Director Young questioned Minister Lee on the status of the PAC-III budget where the LY party caucus has decided to fund four firing units and freeze two firing units. Lee said some members of the LY are unsure of how well the PAC-III can defend Taiwan against PRC missile attacks. Minister Lee said he has tried to convince these LY members that PAC-III is the most suitable and effective system. He

will approach the new LY in early 2008 on the subject. He rated the chance of unfreezing the PAC-III budget as high.

¶4. (C) Minister Lee requested U.S. assistance in demonstrating to the LY that MND and the U.S. are diligently executing the procurement programs. He hopes by February or March of 2008, there will be positive movement on the new FMS cases and quick delivery of the new systems and defensive capabilities to Taiwan. In pledging to do so, Director Young added that the U.S. is looking at increasing local content with new procurements whenever possible to blunt criticism that the arms procurement is only for U.S. benefit.

¶5. (U) Minister Lee also requested Director's assistance with visas for defense personnel traveling to the U.S. He said due to the passage of the budget, we will see an increase of bilateral exchanges. He expects the number of MND travelers to the U.S. will also increase. Minister Lee said the current AIT visa process often causes last minute change of personnel. (Note: this is probably a reference to the Mantis process which requires a DC review.)

PRC Proposed Civil Air Route

¶6. (S/NF) Turning to the main topic of the day, Director Young informed Minister Lee that the Taiwan J2 has brought to our attention China's intent to establish a new civilian air route 4.2 nautical miles (nm) west of the "Centerline" in the Taiwan Strait. He said the U.S. representative at the International Civil Aviation Organization (ICAO) has been informed of the concerns and Assistant Secretary of State Tom

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Christensen has also conveyed USG concerns to mainland officials during his recent visit to Beijing.

¶7. (S/NF) Minister Lee said Taiwan is very concerned over the new air route. Lee said if ICAO approves this route, a large number of international flights could request to use this route. This will put a high number of civilian flights close to Taiwan Air Force (TAF) training and operational areas; he does not want to see any accidents. TAF aircraft flying in their training and operational areas will trigger the Traffic Collision Avoidance System (TCAS) on the commercial flights on this route due to the close proximity.

¶8. (S/NF) Minister Lee said he has briefed only President Chen on the following analysis. While China can continue to conduct training and combat air patrols in areas west of the Centerline, the new route will cause overlapping with civilian aircraft, thus increasing the complexity of air control. While worried about the overall impact on Taiwan's security, Lee said this could also be a disadvantage for the PRC. For example, future PRC flights near the Centerline will need air traffic control's permission to enter or cross this new air route. Currently, PRC flights in the Strait maintain radio silence, but future flights near the Centerline will require radio communications with air traffic controllers. Taiwan could use the communications to track PRC flights near the centerline. Lee said that although the new air route will "squeeze" the already limited training air space for Taiwan, it could actually improve Taiwan's indication and warning of PRC activities.

¶9. (S/NF) Minister Lee went on to assert that China's proposal of this air route constituted a unilateral change of the status quo on the Taiwan Strait. Lee said Taiwan would agree to this flight route if China denounces the use of force against Taiwan and the removal of surface to surface missiles opposite Taiwan. In return, Taiwan would respond with a goodwill gesture by moving its training to the East side of Taiwan. However, if this new route proposal was meant to be a show-of-force to further limit Taiwan's space, then he would have to oppose this air route.

¶10. (S/NF) Director Young thanked Lt Gen Wang (J2) for bringing this issue to AIT early on and emphasized how vital it was to continue the communication between J2 and AIT. Director Young said he considered this air route to be a serious security matter as it changes the normal practice on both sides. He said there are three elements in dealing with this new air route. First is the route establishment procedure with ICAO. He saw little resistance with ICAO approving this new route. Second and third are security and politics. The U.S. views this new air route proposal primarily as a security issue. Unfortunately, it can get confused by what may also be a political initiative by the PRC and PLA. Director Young said he has spoken with President Chen, Vice Premier Chiou, and NSC Secretary General Mark Chen on this issue. Director Young said that Taiwan may lose on this issue in the ICAO on the political front, thus making security the most promising approach to resolve the problem. While the U.S. has urged the PRC not to politicize a security issue in this manner, Taiwan needs to follow the same advice. He understood that there is little Minister Lee can do about this, but Director Young said he is communicating to his Taiwan political interlocutors that politicizing this issue will only complicate the issue and makes it harder to resolve. He will continue to urge President Chen,s office to keep this issue low key.

¶11. (S/NF) Director Young told Minister Lee that DAS Christensen was in Beijing last week and has raised U.S. concerns over this new air route privately with senior PRC officials, urging China to rethink the proposal. He said there may be a small gleam of hope, as the formal public announcement of this new air route has still not been made by the PRC. Director Young encouraged Taiwan to use any available channel to discuss this issue quietly and directly with the PRC. Meanwhile the USG will continue to talk with

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Beijing, at the same time working with close allies in Canada, Japan, and Europe on this issue. Director Young reiterated that politicizing this issue during the run up to Taiwan's LY and Presidential elections runs the risk of overshadowing the security threat of this issue with the PRC. (Note: Later in the day the Director spoke with Vice-Premier Chiou I-ren, reiterating the importance of political leaders in the government and Presidential Office not making provocative public statements that would only serve to harden Beijing's resolve to go forward with this plan. Chiou said he has already conveyed this instruction to people in the Executive Yuan, and promised to pass the message to the Presidential Office as well. That said, it was harder to control legislators running hard for election in next month's balloting. Director will follow up on December 20 with NSC Secretary-General Mark Chen.)

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¶12. (S/NF) Minister Lee and Director Young went on to discuss the effect this new air route would have on Taiwan civilian and military flights to the outer islands of Matsu and Kinmen. Lee said that the new air route would force Taiwan aircraft and air traffic control centers to communicate with PRC air traffic control centers when Taiwan flights to and from the outer islands crossed the new air route. Minister Lee also said if a civilian flight on this air route deviates off route to avoid inclement weather, it could stray to the east of the Centerline and trigger alarm in Taiwan, causing air defense missile units to go on alert and fighters to scramble. Minister Lee suggested that the PRC has vast land areas and should be able to establish a new inland route, instead of the currently proposed plan. Lee said Taiwan had no desire to cross to the PRC side of the Centerline with the exception of humanitarian operations such as sea rescue of Chinese fisherman.

¶13. (S/NF) Director Young asked Minister Lee,s opinion on whether this air route proposal was coordinated between the

military and political establishments in the PRC. Minister Lee believed perhaps the PLA disagreed with this proposal, as the new route could potentially expose PLA's intent in force deployments against Taiwan. Under this scenario civilian air traffic could cause PLA air defense assets to misidentify civilian traffic as military flights. On the positive side, Minister Lee predicted the PLA would have to notify the air traffic control (or announce air route closure) before they could launch any attack across this new air route. This would serve as an early warning system for Taiwan's defenses.

¶14. (S/NF) Director Young told Minister Lee that he has asked Vice Premier Chiou to consult with the U.S. on any possible measures it contemplated taking if the PRC goes forward with this new air route. We have requested that Taiwan not take any action, especially military action, before consulting with the U.S. Minister Lee assured Director Young that Taiwan would consult with U.S. before taking any action. He stressed that MND's mission is to prevent war in the Strait.

Minister Lee understood the environment today is vastly different from August 23, 1958 (when China launched an artillery campaign against Kinmen). Taiwan was not looking at "creating heroes by shooting down MiGs," as it had nearly 50 years ago. Taiwan will not provoke the PRC and endanger the security and survival of Taiwan. He said he was committed to maintaining the status quo. Minister Lee told Director Young that as long as he is the Defense Minister, he would advocate self-restraint and avoid raising tensions to reduce the chance of war.

¶15. (S/NF) At the conclusion of the meeting, Minister Lee commented on recent media reports of President Chen's intention to declare martial law. Lee said the pro-KMT media took President Chen's comment on martial law out of context, but when Chen set the record straight, this garnered little coverage. The media accuses Minister Lee of supporting President Chen, but he emphasized under the constitution it is his job to support the President. In response, Director Young commented that U.S. and Taiwan armed forces have to remain apolitical.

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Comment

¶16. (C) Minister Lee seemed confident the defense budget would be approved this week with minimum cuts. On the new air route, he showed serious concerns, even as he suggested some potential positives for Taiwan air defense if Beijing goes forward with the new civilian air route.

YOUNG